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TO : Deputy Comptroller

28 January 1955

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FROM :

SUBJECT : Financial Accounting for Property and Supplies in

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REFERENCE: -4070, dated 27 December 1954, and Memorandum Attached Thereto from Chief, Logistics to Chief, Support Mission, Subject "Resume of Logistics Situation,"

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1. The reference has been distributed to, and discussed with, officials of the Logistics Office and the Far East Division. It contains a comprehensive study of logistics plans, operations, and problems, pertaining to the area and, in the main, is for interest and action by the offices named above. However, it describes one serious problem which is of vital interest to the Comptroller. This is the lack of adequate personnel to handle the logistics activities and maintain appropriate records thereof. Until this situation (with regard to property documentation and records) is corrected, it will not be possible to obtain an accurate financial statement of property and supplies used or stored.

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2. The machine records accounting unit has been instrumental in forcibly calling our attention to the above situation. The backlog of work in this unit has been reduced to a point where the financial and property reports are produced on a timely basis. However, these reports are unsatisfactory because the documentation of property and supply transactions upon which they are based is not sufficiently accurate or current or is otherwise inadequate. Thought has been given to an attempt to remedy this situation by increasing the corrective action taken upon documents received from the various missions and stations by the SCC unit. It is believed such measures would be temporary, expensive and limited in results. It appears the only satisfactory solution is to correct the basic documentation at the source -- the missions and stations. This is not asking anything additional of the missions and stations since there should be proper control and documentation of property and supply regardless of the accounting system. If such control and documentation existed, the accounting system would now be complete.

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3. You will note in the reference the Logistics Staff, Support Mission, indicates the problem may become worse due to scheduled departures of key logistics personnel from the field prior to replacement by new employees.

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Should this be true, it is nevertheless strongly recommended the present machines and accounting system be retained at least until proper corrective action has been accomplished and satisfactory property and financial reports are being produced. As has already been indicated, there will probably be a tendency to look upon the accounting system as a failure and questionable consumer of time and attention during the period when it (the accounting system) may be the instrument of increasing pressure for improved control and documentation. Far from being a failure, the accounting system has already proved to be of great value in evidencing the need for improvement elsewhere. To abandon or materially change the system prior to full establishment would be a costly step backward and acceptance of an entirely unsatisfactory condition at various missions and stations. When the system has been fully established, it will be possible to factually determine the cost of the use of the IBM equipment and to compare this cost with a manual operation. It seems doubtful there will be a great difference, and in my opinion the system may cost the Agency nothing in personnel or money (by centralizing the services of a few experts as opposed to increased staffing in each mission where the volume of work might not justify such experts). However, any statement of comparative cost at this time is largely conjecture and, as stated above, it is believed the system must be completed before accurate comparative costs and results can be determined.

4. There may be some misunderstanding regarding the purpose of the financial and property accounting system. The question has been asked why do we need such a system now that the large FM operations and plans [REDACTED] are being terminated or reduced and the majority of the property to be accounted for will be in relatively inactive storage. It is believed the system is just as important for control of the several million dollars of administrative and housekeeping equipment as for the much larger dollar value of FM-type equipment. In fact the volume of transactions and continuing need for accounting control is in the administrative field, and it is believed the system is justified for this purpose even if there were no FM-type equipment. Further, there are FM activities elsewhere in [REDACTED] which we are from time to time asked to support and war plans will also require stockpiling.

5. As indicated in paragraph 1 above, the present deficiency in the system, which is attributable to the logistics personnel problem, has been called to the attention of appropriate officials and remedial action has been initiated. It is strongly recommended the system and machines be retained until corrective action can be completed, even if this should require more than another year.

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